

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Delta Township District Library	County Eaton
Audit Date 12/31/05	Opinion Date 3/9/06	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Maner, Costerisan & Ellis, P.C			
Street Address 544 Cherbourg Drive, Suite 200	City Lansing	State MI	ZIP 48917
Accountant Signature <i>Maner, Costerisan & Ellis, P.C</i>		Date 4-27-06	

DELTA TOWNSHIP DISTRICT LIBRARY
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)
YEAR ENDED DECEMBER 31, 2005

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Floyd L. Costerisan
Leon A. Ellis (1933-1988)

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Delta Township District Library
State of Michigan

March 9, 2006

We have audited the accompanying financial statements of the governmental activities and the major fund of the Delta Township District Library, Component unit of the Charter Township of Delta, State of Michigan as of and for the year ended December 31, 2005, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Delta Township District Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.


In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Delta Township District Library, State of Michigan as of December 31, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Trustees
Delta Township District Library
State of Michigan

March 9, 2006

The management's discussion and analysis and budgetary comparison information on pages v through xiii and page 13, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Delta Township District Library's basic financial statements. The financial statements and other additional information presented on pages 14 and 15 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The financial statements and other additional information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Maher, Costantino & Ellis, P.C.".

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Delta Township District Library (the Library), we offer readers of the Delta Township District Library's financial statements this narrative overview and analysis of the financial activities of the Delta Township District Library for the fiscal year ended December 31, 2005.

FINANCIAL HIGHLIGHTS

- The assets of the Library exceeded its liabilities at the close of the most recent fiscal year by \$374,173 (net assets). Of this amount, \$133,849 (unrestricted net assets) may be used to meet the Library's ongoing obligations to citizens and creditors.
- The Library's total net assets increased by \$24,917 dollars.
- As of the close of the current fiscal year, the Library's governmental fund reported ending fund balance of \$149,333, a decrease of \$7,060 in comparison with the prior year. All is available for spending.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$149,333, or 27 percent of total general fund expenditures.
- The Library's total long-term debt, which is comprised of compensated absences, decreased \$555.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Library's basic financial statements. The Library's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary and additional information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Library's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Library's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The *statement of activities* presents information showing how the Library's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated absences).

The government-wide financial statements can be found on pages 1 and 2 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund of the Library is categorized as a governmental fund.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide information to facilitate this comparison between *governmental funds* and *governmental activities*.

The Library maintains one individual governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund which is considered a major fund.

The Library adopts an annual appropriated budget for its general fund. Budgetary comparison statements have been provided for the general fund in the required supplementary information.

The basic governmental fund financial statements can be found on pages 1 and 2 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 3 through 12 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Library's general fund budget on page 13. Additional information can be found on pages 14 and 15 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the Library, assets exceeded liabilities by \$374,173 at the close of the most recent fiscal year.

By far the largest portion of the Library's net assets (64 percent) reflects its investment in capital assets (e.g., library books, furniture and equipment), less any related debt, none at year end, used to acquire those assets that is still outstanding. The Library uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

Delta Township District Library's Net Assets

	Governmental activities	
	2005	2004
Current and other assets	\$ 173,082	\$ 173,707
Capital assets	240,324	208,902
Total assets	413,406	382,609
Long-term liabilities outstanding	6,052	5,776
Other liabilities	33,181	27,577
Total liabilities	39,233	33,353
Net assets:		
Invested in capital assets, net of related debt	240,324	208,902
Unrestricted	133,849	140,354
Total net assets	\$ 374,173	\$ 349,256

The unrestricted net assets (\$133,849) may be used to meet the Library's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Library is able to report positive balances in both categories of net assets for its governmental activities.

The Library's net assets increased by \$24,917 during the current fiscal year. The majority of this increase represents the degree in which increases in ongoing revenues have outstripped similar increases in ongoing expenses.

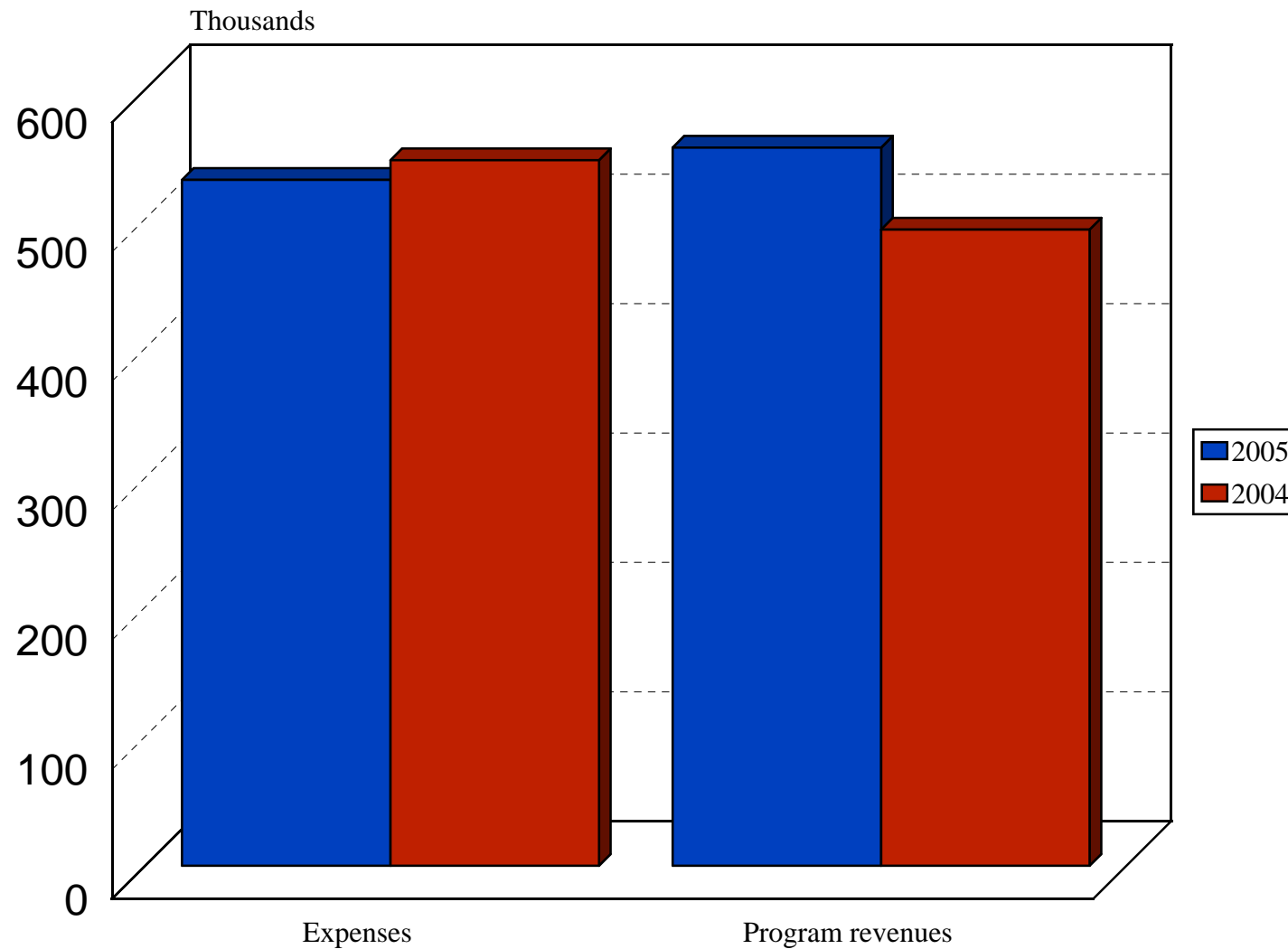
Governmental activities. Governmental activities increased the Library's net assets by \$24,917, thereby the governmental activities accounted for 100% of the total increase in the net assets of the Library. Key elements of this increase are as follows:

Delta Township District Library's Changes in Net Assets

	Governmental activities	
	2005	2004
Revenues:		
Program revenues:		
Charges for services	\$ 25,145	\$ 27,507
State Aid	26,138	26,228
Penal fines	127,088	114,105
Contributions from the Charter Township of Delta	347,920	323,930
General revenues:		
Investment earnings	3,803	2,294
Other	25,038	27,337
Total revenues	<u>555,132</u>	<u>521,401</u>
Expenses:		
Culture and recreation	<u>530,215</u>	<u>545,397</u>
Increase in net assets	24,917	(23,996)
Net assets, January 1, 2005	<u>349,256</u>	<u>373,252</u>
Net assets, December 31, 2005	<u>\$ 374,173</u>	<u>\$ 349,256</u>

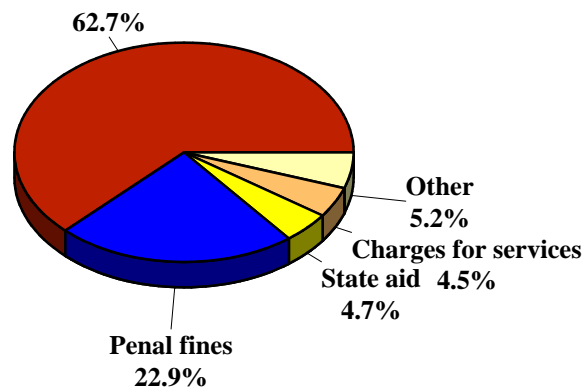
- Program revenues increased by \$34,521 (7 percent) during the year. Most of this increase is due to additional funding from the Township as well as increased penal fines received.
- Overall government activities revenue is up \$33,731 from prior year. Most of the increase is due to receiving increased operating funds from the Township of Delta of \$23,990, and increased penal fines received of \$12,983 from prior year.

Delta Township District Library
Expenses and Program Revenues - Governmental Activities
December 31,



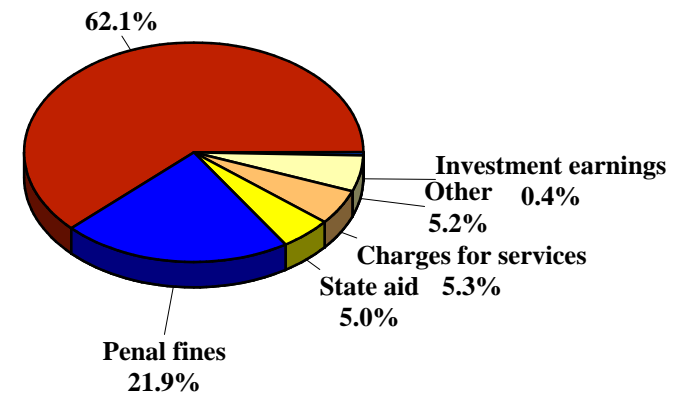
Delta Township District Library
Revenues by Source - Governmental Activities
December 31

Contributions from the
Charter Township of Delta



2005

Contributions from the Charter
Township of Delta



2004

Financial Analysis of the Government's Funds

As noted earlier, the Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental fund. The focus of the Library's *governmental fund* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Library's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Library's governmental funds reported combined ending fund balance of \$149,333, a decrease of \$7,060 in comparison with the prior year. Approximately four-fifths of this total amount (\$125,849) constitutes *unreserved fund balance*, which is available for spending at the Library's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to prepaid contracted services (\$8,000) or 2) for a variety of other designated purposes (\$15,484).

The general fund is the chief and only operating fund of the Library. At the end of the current fiscal year, unreserved fund balance of the general fund was \$125,849, while total fund balance reached \$149,333. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 22 percent of total general fund expenditures, while total fund balance represents 27 percent of that same amount.

The fund balance of the Library's general fund decreased by \$7,060 during fiscal year 2005. Key factors in this decline are as follows:

- Increased purchases of books and supplies.
- Increase in salaries and employee benefits.

General Fund Budgetary Highlights

- There were no significant differences between the original budget and the final amended budget.

Capital Asset and Debt Administration

Capital assets. The Library's investment in capital assets for its governmental activities as of December 31, 2005, amounts to \$240,324 (net of accumulated depreciation). This investment in capital assets includes library books, audio, furniture and office equipment. The total increase in the Library's investment in capital assets for the current fiscal year was 15 percent.

Major capital asset events during the current fiscal year included the following:

- New library books and audio
- Computers

Delta Township District Library's Capital Assets (net of depreciation)

	Governmental activities	
	2005	2004
Library books	\$ 209,221	\$ 194,417
Furniture and office equipment	15,103	14,485
Work in process	16,000	
	<u>\$ 240,324</u>	<u>\$ 208,902</u>

Additional information on the Library's capital assets can be found in Note 4 on page 9 of this report.

Long-term debt. At the end of the current fiscal year, the Library had total long-term debt outstanding of \$15,484. This represents compensated absences earned but not used as of year end.

Delta Township District Library's Outstanding Debt

	Governmental activities	
	2005	2004
Compensated absences	<u>\$ 15,484</u>	<u>\$ 16,039</u>

The Library's total debt decreased by \$555 (3 percent) during the current fiscal year.

Additional information on the Library's long-term debt can be found in Note 5 on page 10 of this report.

Economic Factors and Next Year's Budgets and Rates

Delta Township District Library's goal is to maintain and enhance the services that are provided to the public utilizing the most efficient and effective methods. The Library has a conservative and financially prudent budget for the fiscal year 2006 that will promote several of the Library's activities and programs.

It is anticipated that the Library board will be working over the next few years to promote the Library and the need for a new facility. It is the wish of the Library board to propose a millage levy for the construction and operation of a new library by the end of 2006.

Requests for Information

This financial report is designed to provide a general overview of the Delta Library's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Township Manager's Office, 7710 West Saginaw Highway, Lansing, MI 48917-9712.

BASIC FINANCIAL STATEMENTS

DELTA TOWNSHIP DISTRICT LIBRARY
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS
DECEMBER 31, 2005

	Balance sheet general fund modified accrual basis	Adjustments	Statement of net assets
CURRENT ASSETS:			
Cash	\$ 19,651	\$	\$ 19,651
Investments	144,360		144,360
Receivables - interest	1,071		1,071
Prepaid expenses	8,000		8,000
TOTAL CURRENT ASSETS	173,082		173,082
CAPITAL ASSETS , net of accumulated depreciation		240,324 #	240,324
TOTAL ASSETS	<u>\$ 173,082</u>	240,324	413,406
CURRENT LIABILITIES:			
Accounts payable	\$ 13,103		13,103
Accrued salaries and related items	736		736
Due to other governmental units	9,910		9,910
Current portion of compensated absences		9,432 #	9,432
TOTAL CURRENT LIABILITIES	23,749	9,432	33,181
NONCURRENT LIABILITIES:			
Compensated absences, less current portion		6,052 #	6,052
TOTAL LIABILITIES	23,749	15,484	39,233
FUND BALANCE/NET ASSETS:			
Invested in capital assets net of related debt		240,324	240,324
Unrestricted	149,333	(15,484)	133,849
TOTAL FUND BALANCE/NET ASSETS	149,333	<u>\$ 224,840</u>	<u>\$ 374,173</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 173,082</u>		

⁽¹⁾ Capital assets used in governmental activities are not financial resources and are not reported under the modified accrual basis of accounting.

⁽²⁾ Compensated absences are not due and payable in the current period and are not reported under the modified accrual basis of accounting.

DELTA TOWNSHIP DISTRICT LIBRARY
STATEMENT OF GOVERNMENTAL FUND REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2005

	Statement of revenue, expenditures and changes in fund balance general fund modified accrual basis	Adjustments	Statement of activities
REVENUES:			
State aid	\$ 26,138	\$	\$ 26,138
Penal fines	127,088		127,088
Charges for services	25,145		25,145
Other	28,841		28,841
Contributions from the Charter Township of Delta	347,920		347,920
Total revenues	555,132		555,132
EXPENDITURES:			
Current:			
Culture and recreation:			
Salaries and employee benefits	335,287	(555) #	334,732
Books and supplies	127,356	(96,599) #	30,757
Contractual services	35,225	(16,000) #	19,225
Telephone and utilities	21,256		21,256
Printing	1,148		1,148
Repairs and maintenance	6,028		6,028
Education and training	8,279		8,279
Membership dues	11,921		11,921
Depreciation		87,507 #	87,507
Capital outlay	6,330	(6,330) #	
Miscellaneous	9,362		9,362
Total expenditures	562,192	(31,977)	530,215
Net change in fund balance	(7,060)	31,977	24,917
FUND BALANCE, beginning of year	156,393	192,863	349,256
FUND BALANCE, end of year	\$ 149,333	\$ 224,840	\$ 374,173

(1) Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental fund. The adjustment represents the change of the year end liability compared to the prior year.

(2) Governmental funds report capital assets as expenditures in the statement of revenues, expenditures and changes in fund balances. In the statement of activities these expenditures are capitalized and depreciated over their estimated useful lives.

DELTA TOWNSHIP DISTRICT LIBRARY NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter Township of Delta and the Waverly Community Schools entered into a District Library agreement March 9, 1998 under the provisions of Act 24, Michigan Public Arts of 1989, as amended. The Library Board determined the library shall be known as the Delta Township District Library. The District Library serves the residents of the Charter Township of Delta and the residents served by the Waverly Community Schools. A six-member board serves the District Library, four appointed by the Charter Township of Delta and two by the Waverly Community Schools.

The accompanying financial statements present the activity for which the government considers itself financially accountable. The Library is also reported as a blended component unit special revenue fund of the Charter Township of Delta. The Library has no component unit.

A. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on the primary government unit.

The Library utilized the financial statement format recommended by the State of Michigan for special purpose entities engaged only in governmental activities.

The Library maintains only one fund, the general fund, which is accounted for as a governmental fund.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements (the statement of net assets and statement of activities) are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements (the balance sheet and statement of revenue, expenditures and changes in fund balances) are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

**DELTA TOWNSHIP DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)

Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Library reports the following major governmental fund:

The *general fund* is the Library's primary operating fund. It accounts for all financial resources of the general government. There are no resources required to be accounted for in another fund.

When both restricted and unrestricted resources are available for use, it is the Library's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, Liabilities and Net Assets or Equity

1. Cash and Investments

Cash includes amounts in petty cash and demand deposits. Investments include instruments allowed by state statute subsequently described. Investments are carried at amortized cost or fair value.

State statutes authorized the Library to invest in bonds, securities, and other direct and certain indirect obligations of the U.S. Treasury, which include securities issued or guaranteed by the Government National Mortgage Association; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Library is also authorized to invest in U.S. government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

**DELTA TOWNSHIP DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Assets or Equity (Concluded)

The Library's retirement system investments are held in trust by the investment fiduciary, ICMA Retirement Corporation. Michigan Compiled Laws, Section 38.1132, authorizes Delta Township's District Library retirement system to invest in a wide variety of investments including stocks, bonds, certificates of deposit, real estate, annuity contract obligations of a specified nature, and real or personal property.

D. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

E. Capital Assets

Capital assets, which include furniture, equipment, and library books, are reported in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. The total of books purchased during the year are capitalized and are depreciated over five years. The Library has elected not to capitalize rare books. Fully depreciated books are removed from the asset schedule. Such assets are recorded at historical cost or estimated historical cost if purchased. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the Library, are depreciated using the straight-line method over the following estimated useful live:

Assets	Years
Library books	5
Furniture and equipment	5

F. Compensated Absences

It is the Library's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick leave, which will be paid to employees upon separation from the Library. All vacation pay is accrued when earned in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**DELTA TOWNSHIP DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

G. Fund Equity

In the fund financial statements, the governmental fund may report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

NOTE 2 - LEGAL COMPLIANCE - BUDGETS

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general fund. All annual appropriations lapse at fiscal year-end.

The Library, which is included in the Township process, follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or prior to September 1 of each year, a proposed budget is submitted to the Township Board for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to December 31 the budget is legally enacted through passage of a resolution.
4. Any revisions of the budget must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. Budgets for the general fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted amounts are as originally adopted, or as amended by the Township Board during the fiscal year. Individual amendments were not material in relation to the original appropriations which were amended.
7. The budget is prepared by fund and function and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. Expenditures may not exceed budget at the function level.

**DELTA TOWNSHIP DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS

As of December 31, 2005 the Library had the following investments.

Investment Type	Fair value	Weighted average maturity (years)	Standard & Poor's rating	%
U.S. Treasury Notes	\$ 16,661	4.8370	AAA	13.8%
U.S. Treasury Strip	713	22.8904	AAA	0.6%
Commercial Paper	37,435	0.1598	A2	31.0%
Commercial Paper	23,280	0.0594	A1+	19.3%
U.S. Agency Loans	2,475	4.2110	AAA	2.1%
Mortgage Backed Securities:				
U.S. Agency	15,095	17.8457	AAA	12.5%
Other	5,321	12.5503	AAA	4.4%
Investment Grade Bonds	5,386	5.8312	AAA	4.5%
Government Securities-other	5,506	6.8654	AAA	4.6%
MBIA External Investment Pool - CLASS	<u>8,830</u>	0.0027	Not rated	<u>7.2%</u>
Total fair value	<u>\$ 120,702</u>			<u>100.0%</u>
Portfolio weighted average maturity		<u>4.3070</u>		

1 day maturity equals 0.0027, one year equals 1.00

The Library voluntarily invests excess funds in pooled short term investment funds which included money market funds. One of the pooled investment funds utilized by the Library is MBIA. MBIA is an external pooled investment fund of "qualified" investments for Michigan townships. MBIA is not regulated nor is it registered with the SEC. MBIA reports as of December 31, 2005, the fair value of the Library's investments is the same as the value of the pool shares.

Interest rate risk. In accordance with its investment policy, the Library will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Library's cash requirements.

**DELTA TOWNSHIP DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS (Concluded)

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The Library will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Library's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of December 31, 2005, \$43,309 of the Library's bank balance was covered by federal depository insurance. Certificate of deposits and money market accounts are included in the above totals.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Library will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Library will do business.

Foreign currency risk. The Library is not authorized to invest in investments which have this type of risk.

The above amounts as previously reported in Note 3:

Deposits	\$ 43,309
Investments	<u>120,702</u>
	<u><u>\$ 164,011</u></u>

The above amounts are reported in the financial statements as follows:

Cash	\$ 19,651
Investments	<u>144,360</u>
	<u><u>\$ 164,011</u></u>

DELTA TOWNSHIP DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS

The capital assets for the year ended December 31 was as follows:

	Balance December 31, 2004	Additions	Deletions	Balance December 31, 2005
Primary government:				
Governmental activities:				
Capital assets, not being depreciated:				
Work in process	\$ -	\$ 16,000	\$ -	\$ 16,000
Governmental activities:				
Capital assets being depreciated:				
Library books	565,345	95,591		660,936
Furniture and office equipment	53,067	7,338		60,405
Total capital assets, being depreciated	618,412	102,929		721,341
Less accumulated depreciation for:				
Library books	370,928	80,787		451,715
Furniture and and office equipment	38,582	6,720		45,302
Total accumulated depreciation	409,510	87,507		497,017
Total capital assets, being depreciated, net	208,902	15,422		224,324
Total	\$ 208,902	\$ 31,422	\$ -	\$ 240,324

Depreciation expense of \$87,507 was all charged to the culture and recreation function.

Governmental activities:	
Culture and recreation	\$ 87,507

DELTA TOWNSHIP DISTRICT LIBRARY **NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2005 was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
Compensated absences	<u>\$ 16,039</u>	<u>\$</u>	<u>\$ (555)</u>	<u>\$ 15,484</u>	<u>\$ 9,432</u>

NOTE 6 - PENSION PLANS

Money Purchase Retirement Plan

The District Library employees, who are employees of the Township, participate in the Charter Township of Delta Money Purchase Retirement Plan. This defined contribution plan covers all full time employees and elected officials who have attained the age of eighteen years. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus results of investments transactions. The plan assets are invested by ICMA Retirement Corporation who is the trustee of the plan. The Township acts as a public plan sponsor for the retirement plan. Partial vesting occurs after three years of service at 20% and increases 20% per year until full vesting occurs at seven years of service. The Library contributes 12.5% of the employees' base annual compensation, based on the contribution provisions set up in the plan and trust agreement. The Library made the required contributions of \$16,595. No significant employee contributions were made. Plan provisions and contribution requirements are established and may be amended by the Township.

Deferred Compensation Plan

The Library employees are employees of the Charter Township of Delta and they participate in the Township's deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, which is available to substantially all Library employees, permits them to defer a portion of their salary until future years. Participation in the Plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The Plan assets are held in trust for the exclusive benefit of participating employees and are not assessable by the government or its creditors.

**DELTA TOWNSHIP DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - OTHER POST EMPLOYMENT BENEFITS

In addition to the pension benefits and deferred compensation plan described in Note 6, the Library through the Township, provides post employment health care benefits to all employees who retire from the Library with a minimum ten years of service based on the schedule of shared participation rates. The Library's share of costs ranges from 25% for those employees with ten years of service to 100% for those with 25 years of service. There were no expenses incurred by the Library for the year ending December 31, 2005.

NOTE 8 - RELATED PARTY TRANSACTION

The Charter Township of Delta has representatives on the board of the Library. The Township contributed approximately 63% of the Library's operating funds. The contributed funds are used to support the day-to-day operations of the Library. During the fiscal year ending December 31, 2005, the Library received approximately \$348,000 from the Township. The Library owed the Township approximately \$10,000 at the end of the year for accrued salaries and related items.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Library carries commercial insurance through the Township to cover any losses that may result from the above described activities. No settlements have incurred in excess of coverage in 2005 or any of the prior three years.

**NOTE 10 - NATURE AND PURPOSE OF RESERVATIONS AND DESIGNATIONS OF
FUND BALANCE**

Designations in the general fund exist for the following:

Compensated absences	\$ 15,484
Prepaid expenditures	<u>8,000</u>
	<u><u>\$ 23,484</u></u>

**DELTA TOWNSHIP DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 - USE OF ESTIMATES

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

REQUIRED SUPPLEMENTARY INFORMATION

**DELTA TOWNSHIP DISTRICT LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGET COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2005**

	Original budget	Final budget	Actual	Variance positive (negative)
REVENUES:				
Local sources:				
Charges for services	\$ 150,100	\$ 150,100	\$ 152,233	\$ 2,133
Other	5,000	23,760	28,841	5,081
Contributions from the Charter Township of Delta	347,920	347,920	347,920	
Total local sources	503,020	521,780	528,994	7,214
State sources	26,000	26,000	26,138	138
Total revenues	529,020	547,780	555,132	7,352
EXPENDITURES:				
Current:				
Culture and recreation	544,020	562,780	562,192	588
NET CHANGE IN FUND BALANCE	<u><u>\$ (15,000)</u></u>	<u><u>\$ (15,000)</u></u>	(7,060)	<u><u>\$ 7,940</u></u>
FUND BALANCE:				
Beginning of year			156,393	
End of year			<u><u>\$ 149,333</u></u>	

ADDITIONAL INFORMATION

**DELTA TOWNSHIP DISTRICT LIBRARY
GENERAL FUND
BALANCE SHEETS
DECEMBER 31, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
ASSETS		
ASSETS:		
Cash	\$ 19,651	\$ 10,449
Investments	144,360	156,292
Receivables:		
Interest	1,071	717
Due from other governmental units		6,249
Prepaid expense	<u>8,000</u>	
TOTAL ASSETS	<u><u>\$ 173,082</u></u>	<u><u>\$ 173,707</u></u>
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Accounts payable	\$ 13,103	\$ 16,701
Accrued payroll, taxes and withholding	736	613
Due to other governmental units	<u>9,910</u>	
TOTAL LIABILITIES	<u>23,749</u>	<u>17,314</u>
FUND BALANCE:		
Reserved for prepaid expenses	8,000	
Designated:		
Compensated absences	15,484	16,039
Subsequent year expenditures		15,000
Unrestricted	<u>125,849</u>	<u>125,354</u>
TOTAL FUND BALANCE	<u>149,333</u>	<u>156,393</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 173,082</u></u>	<u><u>\$ 173,707</u></u>

**DELTA TOWNSHIP DISTRICT LIBRARY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEARS ENDED DECEMBER 31, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
REVENUES:		
State aid	\$ 26,138	\$ 26,228
Penal fines	127,088	114,105
Charges for services	25,145	27,507
Other	28,841	29,631
Contributions from the Charter Township of Delta	<u>347,920</u>	<u>323,930</u>
Total revenues	<u>555,132</u>	<u>521,401</u>
EXPENDITURES:		
Current:		
Culture and recreation:		
Salaries and employee benefits	335,287	319,642
Books and supplies	127,356	115,572
Contractual services	35,225	38,705
Telephone and utilities	21,256	17,317
Printing	1,148	743
Repairs and maintenance	6,028	6,849
Education and training	8,279	7,803
Membership dues	11,921	14,143
Capital outlay	6,330	9,781
Miscellaneous	<u>9,362</u>	<u>6,715</u>
Total expenditures	<u>562,192</u>	<u>537,270</u>
Net change in fund balance	(7,060)	(15,869)
FUND BALANCE, beginning of year	<u>156,393</u>	<u>172,262</u>
FUND BALANCE, end of year	<u><u>\$ 149,333</u></u>	<u><u>\$ 156,393</u></u>



Lamonte T. Lator
Bruce J. Dunn
Jeffrey C. Stevens
Linda I. Schirmer
Steven W. Scott
David M. Raeck
Robert E. Miller, Jr.
Steven B. Robbins
James E. Nyquist
James R. Dedyne

Timothy H. Adams
David B. Caldwell
Edward L. Williams, III
Timothy J. Orians
Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

March 9, 2006

To the Library Board
Delta Township District Library
Lansing, Michigan

We have audited the financial statements of Delta Township District Library for the year ended December 31, 2005, and have issued our report thereon dated March 9, 2006. Professional standards require that we provide you with the following information related to our audit.

1. Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated April 20, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Delta Township District Library. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Delta Township District Library's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

2. Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Delta Township District Library are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2005. We noted no transactions entered into by Delta Township District Library during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

3. Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements is the estimated liability for compensated absences.

4. Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Delta Township District Library's financial reporting process that is, cause future financial statements to be materially misstated. In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Delta Township District Library, either individually or in the aggregate, indicate matters that could have a significant effect on the Delta Township District Library's financial reporting process. GASB 34 entries are included in the financial statements.

5. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

6. Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Delta Township District Library's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

To the Finance Committee
Charter Township of Delta
Lansing, Michigan

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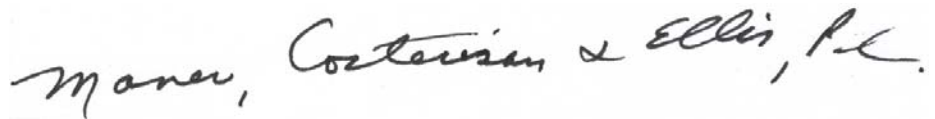
March 9, 2006

8. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Finance Committee, and management of Delta Township District Library and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Maner, Costantino & Ellis, P.C." The signature is written in a cursive, flowing style.